

VZCZCXRO2202
OO RUEHFL RUEHKW RUEHLA RUEHROV RUEHSR
DE RUEHRA #0619/01 2831308
ZNY CCCCC ZZH
O 091308Z OCT 08
FM AMEMBASSY RIGA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 5297
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 RIGA 000619

SIPDIS

E.O. 12958: DECL: 10/08/2018
TAGS: [PREL](#) [PGOV](#) [PHUM](#) [ECON](#) [ENRG](#) [LG](#)
SUBJECT: LATVIAN PM: SLOW PROGRESS ON ENERGY AND JEWISH
PROPERTY, CONFIDENCE IN BANKS

Classified By: Ambassador Charles W. Larson for reason 1.4 (b) and (d)

¶1. (C) Summary: Prime Minister Ivars Godmanis detailed a laborious multi-stage process preceeding a settlement on Jewish Property restitution in Latvia in a meeting October 8 with Ambassador Larson and UK Ambassador to Latvia Richard Moon. In a wide-ranging discussion, the PM also explained that Latvia and Lithuania hope Sweden will determine the location of a cable to transmit electricity across the Baltic. Both the PM and his advisors stated that the Latvian banking system is strong and that they are not preparing to bail out Latvian banks, as they see no indications that a bailout will be necessary.

Jewish Property Restitution

¶2. (C) Though ostensibly the purpose of the meeting, the discussion of Jewish property resitution was relatively brief. Godmanis noted that the task force studying the issue is scheduled to meet for the first time on October 15. He explained that the group would explore how to complete an exhaustive world-wide search for potential claimants of currently heirless Jewish properties. (Note: The previous proposal in 2006 dealt with this issue by transferring responsibility for dealing with future claims to the Jewish community.) The GOL believes that it cannot separate the issues of communal and heirless properties, and must deal with them in one package, so the communal properties cannot be returned until the search for heirs is settled. Lastly, the group will study what the best mechanism for compensation will be: for example cash payments or return of properties in kind. When asked about a timetable for results, Godmanis said that he expected the task force would report progress (although not necessarily final recommendations) by the end of the year. The sole member of the task force present at the meeting said afterwards that this was the first time he had heard such a deadline.

¶3. (C) Godmanis warned that any legislation on Jewish property restitution would surely bring up claims by other groups on Soviet-era property losses. The task force chairman had previously indicated to Embassy officers that the task force would need to study property restitution for groups other than just the Jewish community. In a final note, Godmanis acknowledged that all the questions and study he outlined were preface to the difficult political discussion of an actual negotiated settlement.

Energy

¶4. (C) Godmanis said that Latvian efforts to push a combined Baltic electricity sytem operator would not bear fruit soon. Estonia is legally barred from entering such an agreement until at least 2012. Godmanis said that after discussions with the Lithuanians, they planned to allow Sweden to decide whether a trans-baltic electric cable should link Sweden to

Latvia or to Lithuania. Prior reports have indicated that Sweden plans to allow Latvia and Lithuania to sort out where the link should be located. Godmanis re-affirmed the GOL dedication to building a combined coal/biomass power plant in Liepaja. While other options technically remain on the table, Godmanis said that coal was clearly the best choice.

Banking

15. (C) During the meeting Godmanis addressed the crisis in the global financial system. While conceding that the GOL did not have any plans to bail out banks, or the resources to do so, Godmanis expressed no concerns that it would be necessary. He noted that Latvia has already weathered banking crises in the 1990's and the banking system here has few of the financial instruments that have led to liquidity issues elsewhere. On the margins, his advisors were more firm in allaying any concerns about the stability of Latvia's banking sector. Senior advisor Ilze Petersone said that there is ample money available to guarantee existing deposits and said "The banks are the least of the problems" facing the GOL now, given fiscal issues and a general economic downturn.

Defense, ACS issues

16. (C) The Latvian budget that has passed first reading in the Saeima will include funding for lightly armored vehicles,

RIGA 00000619 002 OF 002

as opposed to armored personnel carriers the GOL had previously indicated interest in. Ambassador Larson also noted the increase in incidence of robberies, extortion, and druggings of foreign visitors in bars in Old Riga. Godmanis reacted with surprise and expressed concern about the situation, which he thought had been improving.

17. (C) Comment: Godmanis continued the trend of establishing lengthy procedural barriers to initiating a serious negotiation on settling the Jewish property issue. The task force seems to be a solution in search of a problem, sorting through issues that have already been addressed in the 2006 negotiations. Godmanis's statements serve to further ground fears that the task force will use theoretical restitution claims of non-Jewish groups to muddy the waters in resolving the Jewish property claims. Regarding energy, the Sweden-Baltic cable will not happen any time soon with the Baltics and Sweden each waiting for the other to make a decision on location and nobody forcefully pushing for progress. However, the consistent message on construction of a coal-fired power plant is a welcome sign; the project continues to look likely to go ahead.

LARSON